



## **Health Care Provider and Payer Costs and Cost Trends**

Testimony of

### **Health Care For All**

March 16, 2010

Health Care For All is a non-profit, consumer advocacy organization dedicated to creating a consumer-centered health care system that provides comprehensive, affordable, accessible, culturally competent, high quality care and consumer education for everyone, especially the most vulnerable. We have taken a lead role in establishing the Massachusetts Campaign For Better Care, which is a broad network of consumer organizations working together to achieve comprehensive payment reform.

Health Care For All is pleased to participate in these hearings. The legislative provision that authorized the Division to conduct these hearings originated in legislation drafted by Health Care For All, and we have a long-standing interest in these issues.

We applaud the Governor for recognizing the urgent need for action. In his bill concerning individual and small business premium rates, the Governor emphasized the shared responsibility principle that has been the hallmark of his approach to health issues:

Controlling health care costs is a shared responsibility, and we have to look at the market conduct of both carriers and providers. ... It is essential that there be full transparency and accountability in what consumers pay for health care and what providers charge insurance companies.

We strongly support the Governor's call for accountability, transparency, and public oversight, and commend the Division of Health Care Finance and Policy for their exemplary work in producing the detailed cost trends reports and organizing these hearings.

As demonstrated by the cost trends reports, the cost of health insurance premiums and the price of medical care have long been escalating at an alarming rate. At the end of the day it is the

Massachusetts consumer that pays the price for runaway costs. As those leading the discussion sift through the different drivers of rising costs, consumers must not be forgotten. We strongly believe that consumers need to be at the center of any conversation about health care costs and policy solutions.

Last week's *Boston Globe* story on insurer rate filings is just the tip of the iceberg. As April 1 approaches, insurers are asking the Division of Insurance for approval to increase premiums, at the minimum, to nearly twice the medical inflation rate – anywhere from 8% to 32%. Actual premiums paid by individuals and small business owners may be even higher depending on rating factors. These rate increases stack onto health care prices that are already tough to meet for many Bay Staters.

For us, this is more than just statistical data. We are concerned about the impact to people like Melissa and Tom, a couple which recently called HCFA's Helpline. They opened a small business in 2008. Both of them qualified for affordable and comprehensive health insurance through Commonwealth Care, and MassHealth covered their two young daughters. By the end of that first year Melissa and Tom had earned \$70,000, a hard-won figure in any economy. Unfortunately, it was also more than the allowable limit for a family of four to qualify for the sliding scale subsidies they relied on. If Melissa and Tom wanted to retain comprehensive coverage, they would have to pay almost four times more for health care annually than they were, around \$12,000. A quadruple increase was way beyond their means, and this family is now uninsured.

The preliminary report released by the Attorney General on Cost Trends and Cost Drivers found that our competitive marketplace is not operating in a fair and balanced way. The report demonstrated that health care prices are not correlated to quality of the care, the degree of illness in the population served, the proportion of Medicare and Medicaid usage, the facility type, or the cost to deliver the service. Market mechanisms are not serving public needs.

Health Care For All is working closely with other consumer-focused organizations and individuals who will be testifying in this portion of the hearing, including AARP, Health Law Advocates, the Greater Boston Interfaith Organization, Community Catalyst, and Nancy Turnbull of the Harvard School of Public Health who is the consumer representative on the Health Connector. Our testimony will focus on just a few issues, but we fully agree with and endorse the points made by these other groups.

We have focused our input on four substantive concerns that will assist the Division in assessing the steps to control the increase in the cost of care in the Commonwealth:

***1. Consumer engagement can lead to lower costs and better quality.***

The most critical component necessary to containing health care costs in a sustainable way is to appropriately engage consumers. Consumer engagement leads to lower health care costs and higher quality of care. The patient needs to be a partner in their health care and must be given the proper tools to do so. Patients and providers should collaborate in care plans where patients

have the skills, confidence and knowledge necessary. There are several programs, like chronic disease self management (CDSM) and shared decision making, which have demonstrated increased patient skills and lower health care costs.

CDSM empowers patients to work with their providers to develop a care plan for multiple chronic diseases. Shared decision-making tools are decision aids that are written, video-based, or web-based that facilitate shared decision making. Both programs provide evidence-based information to highlight options for patients. They identify the risks and benefits with various forms of treatment and create a collaborative process between patients and providers. These programs result in healthier people and lower health care costs.

Programs like CDSM and shared decision-making should be supported by our health care payment system. Patients and providers should be encouraged to use these programs, which improve health care quality and patient satisfaction and lower health care costs.

## ***2. Transparency is a prerequisite to effective oversight and public accountability.***

These hearings, and the reports from the Division, DOI and the Attorney General, are an important first step in providing information to the public on health costs. The process recognizes the strong public interest in how our health system operates, and how insurers and providers charge and spend the public's funds.

We strongly urge state policymakers to expand public transparency of our health payment system. For example, the Attorney General's report indicates that some providers receive supplemental payments from insurers on top of negotiated rates of payments. These supplemental payments are not related to patient volume, patient acuity, or meeting quality or other standards. It is hard to understand how these payments benefit the carriers' subscribers, and what justifies the use of premium dollars to make these payments that are not related to patient care. These and other payments should be disclosed so that consumers can understand how their premiums are being used.

Patients also deserve more information on the incentives offered to doctors, hospitals and other providers by insurers. It is also important for patients to understand the quality standards used in order to make choices and understand their care. Patients should also know if their care is under a global payments contract. A number of Massachusetts carriers have begun using tiered networks, which adjust copayments for doctor's visits based on undisclosed quality and cost factors. These quality and cost factors vary by carrier. As a result, a physician may be in different tiers depending on the carrier. Patients are not given any information to assess how their providers are slotted into tiers. We do not believe that this information should be hidden, as it can be critical to giving patients confidence in their doctor or hospital. We urge moving toward transparency for this information and this process.

Effective oversight and accountability can only occur when there is sufficient transparency. The public interest in a high-quality, efficient, cost-effective health system requires more public information on the economic factors that influence care. While the existing reports represent an

initial step, we urge the Division and other state agencies to fully disclose complete information on prices, contracts and financial arrangements in our health care.

### ***3. Cost reduction and quality improvement can be achieved by rewarding coordinated care.***

Our health care system, and the current structure of payment, rewards quantity, not quality. Patients do not receive coordinated care that is intended to keep them healthy. Instead, patients are caught in a system where imaging and testing is the norm and visits with a provider last a mere 15 minutes. Our payment system must be designed to incentivize care coordination. Providers who keep their patients healthy should be rewarded for doing so. Providers who do not properly care for their patients, resulting in inappropriate hospital admissions, should be penalized.

The burdensome costs of our health care system are high in part because of duplicative tests, hospital readmissions and medication errors. Patients should not have to endure duplicate testing because of glitches in our system. They waste both patients' time and precious health care dollars. Our health care system does not have incentives for providers to keep people well and out of hospitals. Rather, there are financial rewards for preventable readmissions, or avoidable complications. The hospital is paid, and health care dollars are more scarce for those patients who actually need hospital based care. Preventable conditions and preventable readmissions and their associated costs are unsustainable.

Medication errors, and other clinical errors, cost the health care system enormous amounts of money. Patients who receive the wrong medication may not simply need new medication, but can require extensive and lengthy inpatient hospital care to reverse the error. Providers must have systems in place to insure that they know what medications a patient is on and be able to ensure that the patient is getting what they need.

We have models that show how properly coordinated care can save costs and improve health. At the Commonwealth Care Alliance (CCA), a senior care options program, patients have a team that works with them in their care. Visits last as long as the patient needs so that all parties understand the care plan. There is someone responsible for the patient and her care so that she is kept healthy and out of the hospital. CCA relies on a global payment (a combination of Medicare and Medicaid dollars) to enable them to deliver the best quality care for their patients. The flexibility of this payment method allows CCA to make home visits, supply air conditioners and care tailored to what their individual patients need. For example, many CCA patients are frail elders. It is not easy for these patients to trek around the city of Boston for multiple appointments. CCA provides home visits for these patients and coordinates appointments between specialists. They provide critical communication between the specialists and the care team and the patient so that each patient has appropriate transportation to and from visits and no one is left to wander through facilities searching for their providers.

All Massachusetts' residents should receive the health care they need when they need it. This care should be coordinated so that everyone is kept as healthy as possible and not just patched up.

***4. Expanded investment in public health and public prevention programs can reduce overall costs.***

The shameful decrease in public investment in our public health system is an important factor in the rise in health care costs. Protecting and renewing public investment in community public health programs supported by the Department of Public Health is essential to prevent chronic disease, which is by far the largest driver of patient health care costs. Local public health efforts and community health workers can play a critical role in preventing disease and promoting culturally appropriate care.

The Massachusetts Public Health Association emphasized the vital role of public health in its payment reform testimony last fall:

Payment for health services is necessary but not sufficient for assuring the health of individuals and the public. Medical care services are only responsible for 10% of the health outcomes of the public. Therefore it is critical that public health infrastructure at the local and state level be supported to promote health. Community public health is critical to monitoring and protecting the health of residents of the Commonwealth. This includes changing policies to create healthier environments for residents, such as the Mass in Motion grants to communities to prevent obesity and tobacco control regulation and enforcement.

Tobacco control spending is one strong example. Adjusted for inflation, state spending for smoking prevention and cessation declined from \$70 million in 2001 to under \$5 million this year. Yet smoking is a leading cause of disease and premature death, and it is well understood that public tobacco programs are effective. Environmental health has been shown to be a critical factor in a variety of illnesses, including cancer, asthma, diabetes, birth defects, and neurological and immune system disorders. Exposure to toxins in the environment, particularly for children, is a significant preventable risk factor.

No focus on the costs of our health insurance and medical care system would be complete without examining our public health system. The Health Care Quality and Cost Council's *Roadmap to Cost Containment* emphasized the role of public health. The report endorses

a multi-part strategy to promote increases in healthy behaviors across the state population in order to reduce incidence and growth in severity of the chronic conditions that account for most health care spending in the Commonwealth. This effort should be spearheaded by the Department of Public Health, but shaped and implemented by a broad array of entities.

The recommended strategy included community and employer engagement such as promoting walkable school routes, regulatory changes such as nutrition labeling, and public health campaigns such as substance abuse prevention. Public health must be at the forefront, rather than afterthought, when looking at the cause of health care cost growth in the Commonwealth.



Health Care For All looks forward to working closely with the Division, the Attorney General, and other state officials on health care cost containment efforts. These three days of hearings will provide a wealth of information to inform important short-term and long-term policy choices. The challenge now is to use the information to make real change for the people of Massachusetts.

With chapter 58, Massachusetts pioneered coverage reforms. We showed the nation how a health system could be restructured to expand coverage to almost everyone. Now we have the opportunity to again lead by taking bold steps to control the costs and improve the quality of our health system. We know the Governor and his administration are committed to this goal. We pledge our best efforts to help successfully achieve this critical outcome.